



Henninger Brewery (Ontario) Ltd.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
FEBRUARY 28, 1973**

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Henninger Brewery (Ontario) Ltd. as at February 28, 1973 and the statements of loss, deficit and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at February 28, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles.

May 24, 1973
Hamilton, Ontario

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

Henninger Brewery (Ontario) Ltd.

BALANCE SHEET AS AT FEBRUARY 28, 1973

Assets		1973	1972
		\$	\$
CURRENT ASSETS			
Cash		106,631	9
Short-term deposits		450,000	—
Prepaid expenses and other		4,396	—
Current portion of loan receivable		5,000	—
		<u>566,027</u>	<u>9</u>
LOAN RECEIVABLE FROM DIRECTOR (Note 1)		78,750	—
Less: Current portion		5,000	—
		<u>73,750</u>	<u>—</u>
FIXED ASSETS—at cost (Note 2(a))			
Leasehold construction in process and equipment		<u>1,457,241</u>	<u>—</u>
DEFERRED CHARGES AND OTHER ASSETS—at cost (Note 3)			
Licence and technical advice contract		141,500	—
Debenture discount and financing charges		122,710	—
Preproduction costs		118,111	18,701
Organization expenses		2,413	2,413
		<u>384,734</u>	<u>21,114</u>
SIGNED ON BEHALF OF THE BOARD			
E. M. DUNAL			
Director			
F. E. McCONNELL			
Director		<u><u>2,481,752</u></u>	<u><u>21,123</u></u>

Henninger Brewery (Ontario) Ltd.

BALANCE SHEET AS AT FEBRUARY 28, 1973

Liabilities

	1973 \$	1972 \$
CURRENT LIABILITIES		
Bank advances	—	20,283
Accounts and holdbacks payable	352,175	3,413
Accrued liabilities	25,408	—
7% Note payable to shareholder	20,000	—
	<u>397,583</u>	<u>23,696</u>
LONG-TERM LIABILITIES		
10½% Secured debenture—due May 31, 1987 (Note 4)	400,000	—
	<u>797,583</u>	<u>23,696</u>

Capital Stock Less Deficit

CAPITAL STOCK (Notes 5 and 6)

Authorized

- 16,605 7½% Cumulative convertible first preference
shares with a par value of \$10 each
- 50,000 7½% Cumulative second preference
shares with a par value of \$10 each
- 203,500 Non-voting participating convertible shares
without par value
- 1,156,080 Common shares without par value

Issued

16,605 First preference shares	166,050	—
50,000 Second preference shares	500,000	—
624,589 Common shares	1,126,199	9
	<u>1,792,249</u>	<u>9</u>

CONTRIBUTED SURPLUS—arising from the issue of share

purchase warrants, Series B	2,500	—
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DEFICIT	<u>(110,580)</u>	<u>(2,582)</u>
	<u>1,684,169</u>	<u>(2,573)</u>
	<u>2,481,752</u>	<u>21,123</u>

Henninger Brewery (Ontario) Ltd.

STATEMENT OF DEFICIT For the year ended February 28, 1973

	\$
BALANCE—BEGINNING OF YEAR	<u>2,582</u>
Expense of public issues	51,575
Preproduction cost written off	18,701
Market survey	<u>19,500</u>
	89,776
	<u>92,358</u>
Loss for the year	<u>18,222</u>
BALANCE—END OF YEAR	<u><u>110,580</u></u>

STATEMENT OF LOSS For the year ended February 28, 1973

	\$
INTEREST INCOME	<u>37,964</u>
EXPENSES	
Salaries and wages	18,282
Administration and selling	25,655
Rent	2,874
Financial	<u>9,375</u>
	56,186
LOSS FOR THE YEAR	<u><u>18,222</u></u>

Henninger Brewery (Ontario) Ltd.

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

For the year ended February 28, 1973

SOURCE OF WORKING CAPITAL

Public issue of securities	\$
10½% Secured debentures	400,000
7½% Cumulative convertible first preference shares	500,000
7½% Cumulative second preference shares	500,000
Non-voting participating convertible shares	33,750
Common shares	701,240
Share purchase warrants, Series B	2,500
	<u>2,137,490</u>
Common share purchase warrants exercised—Series A	56,000
—Series B	1,250
	<u>2,194,740</u>

USE OF WORKING CAPITAL

Loss for the year	18,222
Items charged to deficit	89,776
Loan receivable from director—long-term portion	73,750
Purchase of fixed assets	1,457,241
Increase in deferred charges and other assets	363,620
	<u>2,002,609</u>
INCREASE IN WORKING CAPITAL	192,131
WORKING CAPITAL DEFICIENCY—BEGINNING OF YEAR	23,687
	<u>168,444</u>
WORKING CAPITAL—END OF YEAR	<u>168,444</u>

Henninger Brewery (Ontario) Ltd.

NOTES TO FINANCIAL STATEMENTS

For the year ended February 28, 1973

1. LOAN RECEIVABLE FROM DIRECTOR

The company has advanced the sum of \$78,750 at no interest to an officer of the company as part of the purchase price of 50,000 common shares held by a trustee for his benefit. This amount will be repaid at \$5,000 per year for eight years with the balance due at the end of nine years.

2. CONTRACTUAL COMMITMENTS

(a) Installation of Brewery

The estimated costs to complete the purchase and installation of brewery equipment, including the supervision of such installation and the initial operation of the brewery, amount to approximately \$1,523,000. Subsequent to the year end, the company obtained short-term bank loans to assist in financing these expenditures until the additional principal amount of debentures mentioned in note 4 is received.

(b) Agreement with Brewers' Warehousing Company, Limited, dated April 7, 1972

Provided commercial production begins before September 1, 1973, the company has the right to become a shareholder of Brewers' Warehousing Company, Limited. If the company is not in commercial production by that date, the right to become a shareholder must be renegotiated. The cost of the investment in the capital stock of Brewers' Warehousing Company, Limited and affiliated companies will be \$116,100.

(c) Long-term lease agreement dated May 29, 1972

The company has leased a building in Hamilton for a twenty-year period, commencing in the 1974 fiscal year, at an annual rental of \$59,402 for the first ten years decreasing thereafter to \$56,572. Pursuant to a separate agreement which is subject to approval under The Planning Act (Ontario), the company has the option to lease the said premises for three further terms of ten years at rentals to be determined by arbitration.

3. DEFERRED CHARGES AND OTHER ASSETS

(a) The company has the exclusive right to produce and distribute Henninger beer in Ontario under a twenty-five year contract for licence and technical advice dated March 11, 1972 with Henninger International Brauereiberatung und Management G.m.b.H. This right was assigned by the original licensee for the sum of \$141,500.

(b) The reproduction costs consist of the following:

Supervision of brewery installation	\$ 75,261
Debenture interest	31,383
Legal fees and other	11,467
	<u>118,111</u>

(c) It is the company's policy that all deferred charges and other assets will be amortized from the date of commencement of commercial production, on a straight line basis as follows:

Licence and technical advice contract	ten years
Debenture discount and finance charges	fifteen years
Pre-production costs	five years
Organization expenses	five years

4. 10½% SECURED DEBENTURES—DUE MAY 31, 1987

As at February 28, 1973, the principal amount of these debentures outstanding was \$400,000. The debenture holder is committed to purchase an additional \$1,200,000 principal amount and 67,500 non-voting participating convertible shares for an aggregate consideration of \$1,200,000 subject to the conditions of the purchase agreement dated May 15, 1972 being met. The company must redeem at par on May 31 in each year, commencing May 31, 1974, the principal amount of debentures set opposite each such year as follows:

	\$
1974	75,000
1975	75,000
1976	75,000
1977 and each year thereafter	125,000

After May 31, 1979, the debentures will be redeemable at the option of the company at a premium of 5¼% decreasing to par by June 1, 1986 and thereafter at par until maturity, May 31, 1987.

The debentures are secured by a first fixed and specific mortgage and charge on certain assets of the company and a floating charge on all other assets of the company.

As additional security, the company has obtained an insurance policy on the life of the President with the debenture holder as beneficiary.

Subsequent to the year end the debenture issue was increased to \$1,900,000 and the repayment terms were revised to eliminate a payment in 1974 and to increase subsequent payments by \$30,000 per year.

5. CAPITAL STOCK

I. Authorized

(a) 7½% Cumulative convertible first preference shares

Each first preference share is entitled to five votes at all shareholders' meetings, is redeemable at a premium of 15% after May 1, 1977 and is convertible into common shares on the basis of \$2.50 per common share to May 1, 1977, \$3.00 per common share to May 1, 1979 and thereafter increasing by 50¢ every second year.

(b) *7½% Cumulative second preference shares*

Each second preference share is entitled to seven votes at all shareholders' meetings and is redeemable after April 30, 1980 (or such earlier date as the holders of the second preference shares may approve) out of a redemption fund comprised of an amount equal to 25% of net earnings of the company plus depreciation on fixed assets less the cumulative dividends on the first and second preference shares outstanding and the principal amount of long-term debt retired during the year. Such amounts are not to be set aside for the fiscal years 1973 to 1979 inclusive without the prior approval of the holders of the second preference shares.

(c) *Non-voting participating convertible shares*

Each share is convertible into one common share and participates equally with the common shares in the earnings of the company.

II. Issued

	First Preference Shares		Non-voting Participating Shares		Common Shares	
	#	\$	#	\$	#	\$
Public issue of securities for cash	50,000	500,000	22,500	33,750	436,000	701,240
Conversion to common shares on 4 for 1 basis	(33,395)	(333,950)	—	—	133,580	333,950
Conversion to common shares on 1 for 1 basis	—	—	(22,500)	(33,750)	22,500	33,750
Series A warrants exercised at \$1.75 per common share	—	—	—	—	32,000	56,000
Series B warrants exercised at \$2.50 per common share	—	—	—	—	500	1,250
Directors' qualifying shares	16,605	166,050	—	—	624,580	1,126,190
	<u>16,605</u>	<u>166,050</u>	<u>—</u>	<u>—</u>	<u>9</u>	<u>9</u>
	<u>16,605</u>	<u>166,050</u>	<u>—</u>	<u>—</u>	<u>624,589</u>	<u>1,126,199</u>

In addition to the above issue of securities pursuant to the underwriting agreement dated May 24, 1972, 50,000 second preference shares were issued for cash of \$500,000 during the year.

6. SHARE PURCHASE WARRANTS

(a) *Series A*

As at February 28, 1973, 104,000 share purchase warrants, series A, providing for the purchase of common shares or non-voting participating convertible shares are exercisable at \$1.75 per share until December 31, 1977 increasing thereafter at \$.30 per share per year until they expire on December 31, 1982.

During the year, 32,000 warrants were exercised as shown in note 5.II.

(b) *Series B*

As at February 28, 1973, 49,500 share purchase warrants, series B, providing for the purchase of common shares are exercisable at \$2.50 per share until May 1, 1977, increasing thereafter at \$.30 per share per year until they expire on May 1, 1982.

During the year, 500 warrants were exercised as shown in note 5.II.

(c) *Reservation of shares*

153,500 common shares and 104,000 non-voting participating convertible shares have been reserved by the company to meet the conversion privileges of the share purchase warrants.

7. TAX LOSS CARRY FORWARD


The company has a tax loss of approximately \$229,000 available for carry forward as a deduction from income for tax purposes in the future. 11

8. LOSS PER SHARE

Since commercial operations had not commenced during the fiscal year ended February 28, 1973, the loss per share information has not been provided with these financial statements. 11

9. EXECUTIVE REMUNERATION

The aggregate direct remuneration paid or payable to the directors and senior officers of the company, as defined by The Business Corporations Act (Ontario), amounted to \$47,444 for the year.



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